



Arnold Schwarzenegger
Governor

April 22, 2010
22M:341:JDT:1017

Ms. Felicia Flournoy, Workforce Development Administrator
Riverside County Economic Development Agency
Workforce Development Center
1151 Spruce Street
Riverside, CA 92507

Dear Ms. Flournoy:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
SUMMER YOUTH PROGRAM
FINAL MONITORING REPORT
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 of the Riverside County Economic Development Agency (EDA) ARRA Summer Youth Program (SYP). This review was conducted by Mr. Jim Tremblay and Ms. Rebeca Guerra from August 24, 2009, through August 27, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by EDA with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

We collected the information for this report through interviews with representatives of EDA, service provider staff, ARRA SYP worksite supervisors, and ARRA SYP participants. In addition, this report includes the results of our review of sampled case files, EDA's response to Section I and II of the ARRA SYP Onsite Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on November 12, 2009, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required and we consider this issue resolved. Furthermore, because your response adequately addressed findings 1 and 3 cited in the draft report, no further action is required at this time. However, these issues will remain open until we verify the

implementation of your stated corrective action plan (CAP) during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10013 and 10015.

BACKGROUND

The EDA allocated all of its \$9,447,056 ARRA Youth allocation to serve 2,400 summer youth program participants. As of the week of September 14, 2009, EDA expended \$1,587,941 to serve 2,582 summer youth program participants.

ARRA SYP REVIEW RESULTS

While we concluded that, overall, EDA is meeting applicable ARRA requirements, we noted instances of noncompliance in the following areas: Child Labor Law, payroll reconciliation, and eligibility. The findings that we identified in these areas, our recommendations and EDA's proposed resolution of the findings are specified below.

FINDING 1

Requirement: California Child Labor Laws, Chapter 8, Section 11701 states, in part, that minors under 16 may not be employed or permitted to work in all building or construction work of any kind.

Training and Employment Guidance Letter (TEGL) No. 14-08 states, in part, that when considering expanded summer employment opportunities, local areas should consider age appropriate activities: what is appropriate for a 24 year-old may not be appropriate for a younger youth. Consequently, the services provided should be age appropriate.

Observation: We found one 14 and one 18 year-old participant working in stage construction activities that were not specified within the worksite agreement. Specifically, we found that the Indio Performing Arts work site was using a 14 and an 18 year-old participant in the construction of the stage for local theatrical performances. However, this activity is not specified within the Indio Performing Arts' Worksite Agreement.

In view of the violation of the Child Labor Law requirements, we instructed the Indio performing Arts to move the 14 year-old participant into activities that were specified within its worksite agreement. Furthermore, we also instructed EDA to revise the Indio Performing Arts Worksite Agreement to include the stage construction activity in order for it to continue to use 18+ year-old participants in this activity for the remainder of the PY 2009 SYP.

Recommendation: We recommended that EDA provide the Compliance Review Office (CRO) with documentation of the actions taken on the 14 year-old referenced above and a copy of the revised worksite agreement to accurately show the activities performed by the participants. Finally, we recommended that EDA provide CRO with a CAP including a timeline that will ensure that minors are not placed in inappropriate worksite activities during future Summer Youth Programs.

EDA Response: The EDA stated that as of August 25, 2009, immediately following notification of the noncompliance, the 14-year old participant was removed from doing any work not specified in the job description. A copy of the participant's job description was also provided to CRO. In addition, EDA provided a copy of the revised worksite agreement reflecting the participant's job description for the Indio Performing Arts Center which now includes the construction of the stage for local theatrical performances.

Finally, in regards to the CAP, EDA states that during contract negotiations with subcontractors, EDA staff will emphasize to providers compliance with the above requirements. These requirements currently exist in EDA's contract agreement and the program Worksite Supervisor's Handbook. Particular emphasis will be made to providers to focus on relevant information and resources during worksite supervisor trainings to clarify process and increase compliance to ensure minors are not placed in inappropriate worksite activities in future SYPs.

State Conclusion: The EDA's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, EDA's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10013.

FINDING 2

Requirement: 29 CFR 97.20(b)(2) states, in part, that subgrantees must maintain records which adequately identify the source and application of funds for financially-assisted activities. Section (b)(6) requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, and time and attendance records.

OMB Circular A-87, Attachment B(11)(h)(5) states, in part, that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each

employee, they must be prepared at least monthly and must coincide with one or more pay periods, and they must be signed by the employee.

Observation: We found that one participant was under-compensated for the hours he worked. Specifically, we found that one Goodwill participant worked 26.5 hours for the August 1-14, 2009 pay period, but was only paid for 25 hours.

Recommendation: We recommended that EDA provide documentation to CRO that verifies that the participant was paid for working 26.5 hours. In addition, we recommended that EDA provide a CAP with a timeline that will ensure that all future summer youth participants will be appropriately compensated for the total hours worked.

EDA Response: The EDA stated that immediately upon notification of this issue, EDA staff followed up with the provider to ensure compliance. During the August 1-14, 2009 pay period, the identified participant worked at two sites. The 1.5 hours logged on August 6, 2009 was included on a second timesheet for the same pay period at a different worksite. The EDA provided revised timesheets and earning statements for the August 1-14, 2009 pay period indicating that the identified participant was compensated for the additional 1.5 hours.

Finally, in regard to the CAP, EDA states that it believes that this finding was unique to this provider and not indicative of EDA's SYP programmatic policy. However, to improve compliance, during contract negotiations with subcontractors, EDA staff will emphasize compliance with the above requirements. These requirements currently exist within EDA contract agreement. Particular emphasis will be made during negotiations to ensure providers have dedicated payroll staff able to process timesheets correctly to ensure all future participants are appropriately compensated for the total hours worked.

State Conclusion: We consider this finding resolved.

FINDING 3

Requirement: WIA 189(h) states, in part, that each WIA male participants must satisfy the Selective Service registration requirements.

WIAD04-18, WIA Eligibility Technical Assistance Guide, states that a determination of Selective Service registration status must be made prior to enrollment in WIA Title IB funded programs. All

males who are at least 18 years of age and born after December 31, 1959, and who are not in the armed services on active duty must be registered for Selective Service. A youth who becomes 18 years of age while participating in a WIA program must register within 30 days of his 18th birthday.

20 CFR, Section 664.200 states, in part, that an eligible participant must be a low-income individual and satisfy other eligibility criteria.

WIAD04-18, WIA Eligibility Technical Assistance Guide, Attachment 2, states, in part, that an applicant statement is not considered a primary documentation source. WIA applicants must make a reasonable effort to document eligibility for WIA funded programs.

Observation:

We found four participants did not satisfy WIA eligibility requirements. Specifically, we found one 21 year-old male participant who was not registered with Selective Service. The participant's case file contained a copy of the form that was mailed to the Selective Service to register the participant. The EDA's subrecipient, Family Services Association (FSA), stated that the Selective Service website would not accept the online registration form, and subsequently, the form was mailed to the Selective Service. No other documentation was provided to substantiate Selective Service registration.

In addition, we found that the income level for three participants was based on an applicant statement instead of using more substantive documentation. Specifically, EDA's subcontractor, FSA, did not demonstrate any efforts to obtain income information prior to accepting the applicant's statements.

Recommendation:

We recommended that EDA provide documentation to CRO to substantiate that it followed-up with the Selective Service in relation to the participant's Selective Service registration. In addition, we recommended that EDA provide documentation to substantiate the income eligibility of the three participants referenced above. In addition, we recommended that EDA provide a CAP including a timeline to ensure that applicant statements be accepted only as a last resort to substantiate the income eligibility of future WIA and ARRA participants.

EDA Response:

The EDA stated that immediately upon notification of this issue, EDA staff followed up with the provider to ensure compliance. The EDA provided a copy of the identified participant's Selective

Service Registration Acknowledgement. In addition, regarding the applicant statements, two of the three participants had \$0 income and had not worked in the last six months. The third participant's reported income that was stated in the program application and applicant statement was used for eligibility purposes as a last resort because EDA staff were unable to obtain earning statements.

Finally, in regard to the CAP, EDA staff stated that during contract negotiations, EDA will emphasize provider compliance with the above requirements which currently exist in EDA's policy and procedures (P&P). In addition, language will be included in EDA's P&P to ensure that applicant statements are accepted only as a last resort to substantiate income eligibility of future WIA and ARRA participants.

State Conclusion: The EDA's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, EDA's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10015.

In addition to the findings above, we identified a condition that may become a compliance issue if not addressed. Specifically, we found that two EDA SYP subcontracts did not include information related to subcontractor stipend plans as required within EDA's P&P. Specifically, we found that EDA's subrecipients, Riverside Community College (RCC) and FSA, plan to award a stipend in recognition of the accomplishments of its SYP participants. The EDA's P&P states that all stipend plans must be included within the scope of work in the Summer Youth contract and approved by EDA. The plans must include:

- Clearly defined benchmarks
- Amount of stipend for each benchmark, and
- A sample of the documentation that supports benchmark attainment.

However, we found that RCC and FSA SYP subcontracts did not include any information about participant stipends. We suggested that EDA take action to revise RCC and FSA SYP subcontracts to include information related to their plans to award participant stipends.

In its response EDA stated that as of August 31, 2009, actions were taken by staff to modify all contracts paying stipends to include a Stipend Plan attached at the end of the Scope of Work. Additionally, the stipend provision is included in the participant's Individual Service Strategy. The EDA's response adequately addressed our concern and no further action is necessary.

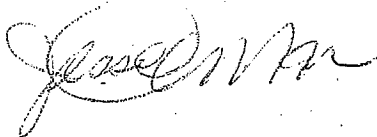
April 22, 2010

Due to the short period of time the 2009 SYP is in operation, the above corrective actions were requested in the exit conference in order that corrective action can be taken immediately. Thank you for the timely action taken on specific issues identified above.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is EDA's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain EDA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Stephen Amezuca, MIC 50
Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50
Daniel Patterson, MIC 45